COAL IT A DAY:

Time for US banks to stop banking on coal expansion
COAL IT A DAY:
Time for US banks to stop banking on coal expansion

Author:
Cynthia Rocamora

Contributors:
Henri Her
Yann Louvel
Paddy McCully
Lucie Pinson

Graphic design:
Jordan Jeandon

Publication date:
September 2022

TABLE OF CONTENTS

Key findings
Introduction
1. Banking on coal
2. Seven years of denial
3. Financing the worst offenders
4. Weak policies allow financing of new coal projects
5. Pledging to net zero has not been a game changer

Conclusion and recommendations
KEY FINDINGS

- As we come out of a deadly global warming-fueled northern hemisphere summer, US banks keep on financing the expansion of coal, with no plans in sight to exit from the sector.

- Since 2019, and until November 2021, US banks have provided US$207 billion to the coal industry, with US$40 billion to coal developers from JPMorgan Chase, Citigroup, Bank of America, Morgan Stanley, and Goldman Sachs alone.

- While banks globally are taking measures to progressively exit the coal sector and to stop supporting new coal, US banks are the second biggest providers of loans and underwriting services to the coal industry after Chinese banks.

- 42 financial institutions have already put an end to the financing of developers of new coal projects. US banks are lagging far behind with weak coal policies that let funds flow to coal expansion.

- For now, US banks’ net-zero commitments have had little to no impact to stop them from financing new coal projects: since joining the Glasgow Financial Alliance for Net Zero (GFANZ) in 2021, they have continued to finance some of the world’s biggest coal developers. For instance, right after joining the Net Zero Banking Alliance (NZBA), Citi, a founding signatory, provided two loans of US$503 million each to Japanese coal power giant Mitsubishi, which is currently developing the controversial Vung Ang II 1200 MW coal plant in Vietnam.

- The urgency to stop developing new coal projects has recently been emphasized by the new Race to Zero criteria, which ask its members to stop financing new coal projects. GFANZ members have until June 2023 to comply or risk being excluded.

- If they are serious with their climate pledges, US banks must immediately adopt a robust coal policies, with an immediate end to all support to coal expansion and a commitment to phase out thermal coal.
INTRODUCTION

Climate science is crystal clear on the need to limit global warming to 1.5°C, and how to reach this objective: we must put an end to fossil fuel expansion. In its 2021 roadmap for net zero, the International Energy Agency (IEA) confirmed that there can be no more new oil, gas, and coal projects developed beyond projects already committed as of 2021. Calls for ending fossil fuel expansion have been widely echoed by scientists, analysts and prominent leaders worldwide, including UN Secretary-General Antonio Guterres.

An essential step to stop fossil fuel expansion is to shut down the financial pipeline that keeps it alive. While many financial institutions are taking action to reduce financing to the fossil fuel sector, major US banks continue to pour funds into the fossil fuel industry with barely any restrictions. They thus continue to enable the development of new projects. Indeed, according to the 2022 Banking on Climate Chaos report, which assesses the financing of the fossil fuel industry by the world’s 60 largest banks, US banks are the biggest financiers of fossil fuels, right in front of Chinese, Canadian, Japanese, British, French, and Swiss banks. Between 2016 and 2021, the seven largest US banks collectively provided over one trillion US dollars to the fossil fuel industry. This represents almost a third of all financing allocated to the fossil fuel industry by the 60 biggest banks worldwide. The picture is equally bleak when it comes to stopping fossil fuel expansion. US banks have collectively supplied over US$400 billion to the 100 key oil, gas, and coal companies expanding fossil fuels between 2016 and 2021, including over US$64 billion in 2021 alone.

This briefing analyzes the biggest US banks that are the most exposed to coal - JPMorgan Chase, Wells Fargo, Bank of America, Citigroup, and US Bancorp - and two additional banks which fund coal companies worldwide - Goldman Sachs and Morgan Stanley. It outlines the amounts of financing from these banks to coal developers, assesses the gaps in their policies, and provides recommendations for immediate implementation.

As outlined by climate scientists, “phasing out coal from the electricity sector is the single most important step to get in line with 1.5°C”. Yet, over 500 companies are currently planning new coal projects worldwide, thanks to the support of their financiers. As has been repeatedly emphasized by UN Secretary General Antonio Guterres, "The addiction to fossil fuels must end, starting with coal, by 2030 in Organisation for Economic Cooperation and Development (OECD) countries, and 2040 everywhere else".

All of the banks analyzed except US Bancorp are members of the Net-Zero Banking Alliance (NZBA), one of the sectoral alliances in the Glasgow Financial Alliance for Net Zero (GFANZ). Like other GFANZ members, all those in the NZBA are required to comply with the criteria of the UN’s Race to Zero campaign. These were updated in June 2022 and now state that “Race to Zero members must restrict the development, financing, and facilitation of new fossil fuel assets in line with appropriate scenarios. Across all scenarios, this includes no new coal projects”. Banks and other GFANZ members have until June 2023 to comply with these criteria.

The credibility of US banks’ climate pledges is contingent on whether or not they will translate their net-zero commitments into concrete action by ending all financing to coal developers.

Data Sources

GCEL
This briefing relies on data from the Global Coal Exit List (GCEL) 2021 published by Urgewald. The GCEL features 1030 companies that play a significant role in the thermal coal value chain, representing in total 90% of the world’s thermal coal mining and the world’s coal-fired capacity.

Research identifying financial flows to companies listed on the GCEL up to November 2021
The latest research on the financial institutions behind the companies listed on the GCEL was done by Profundo B.V. It identifies financial flows to companies on the GCEL between January 2019 and November 2021. Data on the financial institutions behind GCEL companies is available from 2016.

Research identifying financial flows to companies on the GCEL up to August 2022 - Profundo B.V.
Profundo B.V. conducted additional research on financial flows to companies listed on the GCEL up to August 2022.

Unless specified differently, unreferenced coal financial figures through this briefing relates to financing - either through loans or underwriting - from commercial banks to companies with coal activities, green bonds excluded, according to Reclaim Finance’s analysis of Profundo’s financial research of GCEL companies up to November 2021. Only exceptions are the transactions exposed in fifth part, taken from Profundo additional financial research.

Antonio Guterres, Secretary-General of the United Nations
1. BANKING ON COAL

The Global Coal Exit List (GCEL) features 1030 companies whose activities cover the whole thermal coal value chain - mining, infrastructure, and power. Companies on the GCEL represent 90% of the world’s thermal coal production and the world’s coal-fired capacity. The latest financial research on the banks behind the companies listed on the GCEL shows that between January 2019 and November 2021, commercial banks channeled over US$1.5 trillion to the coal industry. With US$207 billion, US banks are the biggest providers of loans and underwriting services to coal companies after Chinese banks.

Just a handful of financial institutions provide the bulk of total funding for the coal industry. For instance, from January 2019 to November 2021, out of the US$363 billion of loans that were granted to GCEL companies by 376 commercial banks, 48% of total lending was provided by only 12 banks from 5 countries. Out of these 12 banks, five are from the US: Citigroup, JPMorgan Chase, Bank of America, Wells Fargo, and US Bancorp. Adding underwriting, banks from only six countries are responsible for 86% of bank financing for GCEL companies.

In spite of the global consensus that there can be no new coal in order to limit global warming to 1.5°C, banks continue to provide funding to companies that are developing new coal projects. While US Bancorp and Wells Fargo only fund North American-based coal companies, the five other banks are funding coal expansionists worldwide. Since 2019, JPMorgan Chase, Citigroup, Bank of America, Morgan Stanley, and Goldman Sachs have collectively provided US$40 billion to coal developers. Among these, Citigroup, Bank of America, and JPMorgan Chase are among the world’s top 50 banks that keep on fueling coal developers, with respectively over US$16 billion, US$11 billion, and US$9 billion of financing for coal developers between 2019 and 2021.

Loans and underwriting in US$ billion to GCEL companies since 2019 (Share of total finance: 86%)

Source: Research identifying financial flows to companies listed on the GCEL

US Banks Financing to coal - January 2019 to November 2021 - US $billion

Source: Financial research identifying the banks behind the companies listed on the GCEL
2. SEVEN YEARS OF DENIAL

Seven years have passed since the Paris Agreement. Since then, climate scientists have repeatedly produced research stressing the need to stop coal expansion. Many institutions and leaders have called for the end of new coal projects – including the UNFCCC, UNEP, the UN Secretary General, the International Energy Agency, GFANZ co-chairs Michael Bloomberg and Mark Carney, and COP26 President Alok Sharma. Yet major US banks have continued to pour funds into companies with coal expansion plans. According to research identifying financial flows to companies listed on the GCEL, the main US banks are providing financial services to coal developers which have expansion plans in Australia, China, India, Indonesia, Japan, Mozambique, the Philippines, Poland, Russia, South Africa, South Korea, the United Arab Emirates, the USA, Vietnam...

2015

- 12 December: adoption of the Paris Agreement at COP21.
  - Christiana Figueres, then head of the UN Framework Convention on Climate Change (UNFCCC), warned: “There is no space for new coal”13.
  - OECD Secretary-General Angel Gurria called new coal-fired power plants “the most urgent threat to our climate”14.

2016

- November: Climate Analytics publishes its report Implications of the Paris Agreement for coal use in the power sector15, calling for a global coal phase out by mid-century.

Financial support to coal developers worldwide by US banks:
  - Citigroup: US$3.3 billion
  - JPMorgan Chase: US$1.1 billion
  - Bank of America: US$1.0 billion
  - Goldman Sachs: US$0.6 billion
  - Morgan Stanley: US$3 billion

2017

- November: Launch of the Powering Past Coal Alliance at COP23.
  - December: The 1st advanced coal policy worldwide is adopted by a European financial institution: the French insurer Axa, for its own investments.16

Financial support to coal developers worldwide by US banks:
  - Citigroup: US$6.9 billion
  - JPMorgan Chase: US$3.7 billion
  - Bank of America: US$1.9 billion
  - Goldman Sachs: US$0.8 billion
  - Morgan Stanley: US$1.9 billion

2018

- October: IPCC Special Report “Global Warming of 1.5°C”17 calls for “a steep reduction” of coal use.
  - October: Antonio Guterres declares “Only courageous leadership will make the goals of Paris a reality... It means closing coal plants and replacing those jobs with healthier, better alternatives so that the transformation is just, inclusive and profitable.”18

Financial support to coal developers worldwide by US banks:
  - Citigroup: US$5.3 billion
  - JPMorgan Chase: US$2.4 billion
  - Bank of America: US$1.7 billion
  - Goldman Sachs: US$0.4 billion
  - Morgan Stanley: US$0.2 billion

2019

- May: Antonio Guterres declares “We need to [...] stop building new coal plants that poison the air we breathe.”19
  - June: French bank Crédit Agricole becomes the first global bank to address coal developers.
  - September: Climate Analytics updates its 2016 report, highlighting that “canceling new coal is nowhere near enough to meet [the] 1.5°C limit”, and calling for a coal phase out by 2030 in OECD countries and 2040 elsewhere.20
  - November: UNEP launches its annual Production Gap Report21, which assesses the discrepancy between countries’ planned fossil fuel production and global production levels consistent with limiting warming to 1.5°C or 2°C. It reveals that the production gap is largest for coal as countries plan to produce 150% (5.2 billion tonnes) more coal than would be consistent with a 2°C pathway, and 280% (6.4 billion tonnes) more than would be consistent with a 1.5°C pathway.

Financial support to coal developers worldwide by US banks:
  - Citigroup: US$5.8 billion
  - JPMorgan Chase: US$2.4 billion
  - Bank of America: US$2.9 billion
  - Goldman Sachs: US$0.2 billion
  - Morgan Stanley: US$1.4 billion

2020

- UNEP’s 2020 Production Gap report22 shows that global coal production needs to drop by 11% between 2020 and 2030 in order to be consistent with a 1.5°C pathway.

Financial support to coal developers worldwide by US banks:
  - Citigroup: US$6.1 billion
  - JPMorgan Chase: US$3.3 billion
  - Bank of America: US$5.2 billion
  - Goldman Sachs: US$0.2 billion
  - Morgan Stanley: US$0.2 billion
We want to be unequivocal on this point: there is no rationale for financing new coal projects.

GFANZ leadership - Michael R. Bloomberg, Mark Carney, and Mary Schapiro - August 2022
3. FINANCING THE WORST OFFENDERS

Swiss coal mining company Glencore produces 94 million metric tonnes of coal per year. It is currently the world’s 9th biggest coal mine developer and 11th biggest coal producer. With nine coal mining expansion projects in Australia and South Africa, Glencore plans to increase its annual coal production capacity by 45 million tonnes. While global coal phase out needs to take place by 2040, the company claims to be on a transition path, but plans to continue mining thermal coal until after 2050.

- Issues:
  - Research has found that methane emissions from Glencore’s coal mines in Australia were understated by at least 24%.
  - “Methane emissions from the Hail Creek coal mine in Queensland were at least 13 times greater than what Glencore disclosed in its 2019 emissions inventory. Methane emissions from the Oaky North coal mine were at least double what was included in its 2019 emissions inventory.”
  - Glencore’s expansion plans constitute major threats to local wildlife, biodiversity, and communities.
  - While Glencore’s emissions are likely to increase by 17% in 2022, the company’s advertising claims it is laying “the foundations for a low carbon future”.
  - Meanwhile, the company is entangled in corruption scandals, pleading guilty to seven counts of bribery related to its oil operations in several African countries.

- From January 2019 to November 2021 Glencore received:
  - US$1105 million from Citigroup
  - US$1105 million from Bank of America
  - US$1145 million from JPMorgan Chase
  - US$927 million from Morgan Stanley

Indian company Adani currently has 12910 MW of installed coal power capacity, and produces 1 million metric tonnes of coal per year. It currently has five coal power expansion projects, amounting to 8 GW of annual coal power capacity, three coal mining expansion projects, amounting to 67 million tonnes of annual capacity, and two coal infrastructure projects, in India and Australia. It is currently the world’s 10th biggest coal plant developer and the 6th biggest coal mine developer.

- Issues:
  - Adani’s expansion plans are denounced by campaigns such as Adani Watch and Stop Adani for their impact on the environment and on local communities. Indeed, the company’s expansion plans are destroying the land of indigenous communities in India and their protests have been severely repressed.
  - Adani’s unethical practices also include pollution disasters, and working with a military dictatorship in Myanmar.
  - The Carmichael coal mine in Australia has drawn criticism for its impact on the Great Barrier Reef, for violating indigenous rights, and destroying the ancestral lands and waters of indigenous people without their consent.
  - Adani has struggled to find the financial resources to build this controversial project as over 40 major banks have ruled out funding, leading it to self-fund the construction of the mine.
  - In May 2022, an Adani company that plans to expand a coal plant in Southern India received a US$6 million fine for pollution that led to respiratory diseases among local people and impacts on their livelihoods due to loss of agricultural productivity.

- From January 2019 to November 2021 Adani received:
  - US$533 million from Citigroup
  - US$709 million from Bank of America
  - US$533 million from JPMorgan Chase

Japanese company Mitsubishi Corp currently has 584 MW of installed coal power capacity. It currently has two coal power expansion projects, amounting to 697 MW annual coal power capacity, in Japan and Vietnam, where it is developing the controversial Vung Ang II coal power plant. The company only plans to exit all coal-fired power generation by 2050, 20 years later than the 2030 deadline for OECD to phase out coal.

- Issues:
  - The company owns shares in Vung Ang II Power Company (VAPCO) which is developing the Vung Ang II 1200 MW coal power plant in Vietnam. It is an extremely controversial project which has been opposed by many stakeholders, including civil society and investors worldwide.
  - Emissions from this plant would be several to ten or more times higher than best practices in Japan, likely leading to cancer, respiratory diseases, and early deaths, in an area in which several power plants are already located or planned.
  - Those raising their voice to oppose coal expansion in Vietnam face severe retaliation. Four of Vietnam’s most prominent environmental leaders are currently in jail for criticizing the country’s coal power expansion. This includes Goldman Environmental prize winner Nguy Thi Khanh, who has been sentenced to 2 years in prison on tax evasion charges, although there is little doubt that her anti-coal advocacy is the real reason for her imprisonment. She founded the Sustainable Energy Alliance, of which three other members are currently jailed and could be facing long prison sentences under tax evasion charges.

- From January 2019 to November 2021 Mitsubishi Corp received:
  - US$3133 million from Citigroup
  - US$425 million from JPMorgan Chase
  - US$100 million from Morgan Stanley
  - US$97 million from Goldman Sachs
4. WEAK POLICIES ALLOW FINANCING OF NEW COAL PROJECTS

While funding to develop new coal power plants, mines, and coal developers which are planning to build new coal assets, US banks have ended financial services to companies that are planning to develop new coal power capacity. For instance, JPMorgan Chase, Bank of America, Goldman Sachs, and Morgan Stanley, and Goldman Sachs all target only coal mining companies in terms of concrete exclusions or phase-out measures, and none of them include infrastructure projects in their scope.

• The relative exclusion thresholds for companies with high exposure to coal are insufficient. These thresholds are calculated based on the share of coal activities in a company’s revenues. To achieve climate objectives, banks must immediately cease all financial services at the corporate level to companies that are developing or planning to expand their activities in the coal sector.

Wells Fargo and US Bancorp do not finance coal developers and their activities are centered on North America, they are therefore not taken into consideration in this analysis.

What makes US banks’ policies so weak?

1. Project focused
US banks’ policies restrict direct financing for new thermal coal mines and power plants.

2. Too narrow a scope on general corporate financing
While banks’ policies do contain restrictions at the corporate level, they are unfortunately highly insufficient:

• They fail to address the whole value chain as they only cover one dimension of the coal industry. For instance, JPMorgan Chase, Bank of America, Morgan Stanley, and Goldman Sachs all target only coal mining companies in terms of concrete exclusions or phase-out measures, and none of them include infrastructure projects in their scope.

• The relative exclusion thresholds for companies with high exposure to coal are insufficient. These thresholds are calculated based on the share of coal activities in a company’s revenues. To achieve climate objectives, banks must immediately cease all financial services at the corporate level to companies that are developing or planning to expand their activities in the coal sector.

While one of the primary objectives of a coal policy should be to shut down the streams of money that flow to new coal projects, directly or indirectly, US banks’ current exclusion criteria mostly fail to make any mention of companies that develop new coal projects. The only US bank which makes a reference to developers of new coal projects in its policy is Citi, but it only does so for new clients, thus rendering its policy highly insufficient.

On the other hand, several major European banks have adopted rather advanced criteria to prevent funding from reaching new coal projects through general corporate finance. This is the case of French banks BNP Paribas, Crédit Agricole, and Italian Bank UniCredit. While further improvements are still needed, these banks have taken a significant step in the right direction.

While US bank coal policies do not completely omit restrictions on general corporate financing, what exists in the policies is extremely weak.

Reclaim Finance has developed the Coal Policy Tool (CPT) to assess the coal policies of financial institutions. While 300 financial institutions have adopted policies restricting financial services to the coal sector, some of them are merely window dressing as they have little or no impact on the thermal coal industry. This is the case of US banks’ policies, which are lagging far behind the best practices adopted by many European banks.

There are two main ways in which coal companies can finance their projects: either by raising funds for a specific project, or through the general financing of the company. While US banks have all put an end to project financing for new coal projects, this is of limited significance as the coal industry is mostly financed through general purpose corporate finance. US banks are therefore financing coal companies that are planning to develop new coal power plants, mines, and infrastructure through general corporate funding.

While 42 financial institutions worldwide have ended financial services to companies planning to build new coal assets, US banks have adopted policies that still allow new financing to companies developing new coal projects.

• JPMorgan’s policy, which excludes mining companies that derive over 50% of their revenues from coal, would allow it to still finance at least 253 major coal plant developers which are planning to develop at least 319 GW of new coal-power capacity and to finance 118 coal mine developers which are planning to expand their coal mining capacity by at least 1519 million tonnes per year. This is equivalent to more than twice the current coal-fired power capacity of Europe, and more than the annual coal production of Australia, Indonesia, and Russia combined.

• Three banks have no immediate strict exclusion criteria and can therefore continue to finance the other 1030 GCEL companies. Bank of America, Goldman Sachs (depending on their interpretation of their policy), and Morgan Stanley, can still finance 301 major coal plant developers which are planning to develop at least 458 GW of new coal power capacity and to at least 180 coal mining companies which are planning to expand their coal mining capacity by at least 2434 million tonnes per year. This is equivalent to more than the current coal-fired power capacity of India and the US combined, and over a third of annual coal production worldwide.

• Since Citi only excludes financing for new clients, the amount of new coal power and coal mining capacity it can still finance cannot be inferred in the same manner as the other banks. According to data on Citi’s transactions starting from 2016, Citi can continue to finance at least 100 coal companies which are already among its existing clients, among which 44 are developing at least 96 GW of new coal power capacity and 302 million tonnes per year of coal mining capacity. This is equivalent to more than the current coal-fired power capacity of Japan and South Korea combined, and more than the annual coal production capacity of Africa and the Middle East.

Banks must immediately cease all financial services at the corporate level to companies that are developing or planning to expand their activities in the coal sector.
of Glencore, which produces 94 million tonnes of coal annually but has a coal share of revenue of less than 7%; and for BHP Billiton Group, which produces 23 million tonnes of coal annually despite a coal share of revenue of only 2%. For this reason, only setting an exclusion threshold based on relative share of revenue is insufficient and must be completed by the adoption of absolute thresholds.

- Furthermore, some banks have adopted exclusion thresholds that only apply starting from a certain date. This is for instance the case of Citi, which excludes companies deriving at least 25% of their revenues from thermal coal mining, but only from 2026. Only applying this threshold from 2026 is highly problematic and will not be enough to ensure a timely coal phase out.

### Banks without a clear, consistent approach

Most banks have adopted an exclusion threshold around 50%, those endeavoring to adopt best practices have steadily lowered this threshold and must continue to do so. JPMorgan Chase, however, is still lagging far behind best practices as its threshold is still set at 50% for mining companies — and it lacks any threshold for power companies. In any case, exclusion thresholds based on the relative share of coal in a company’s activity fail to take into consideration coal companies’ real impact on climate and health, or their ability to achieve Paris Agreement goals. Indeed, some companies that are significant coal producers do not reach the relative exclusion thresholds. This is the case of Citi, which produces 94 million tonnes of coal annually but has a coal share of revenue of less than 7%; and for BHP Billiton Group, which produces 23 million tonnes of coal annually despite a coal share of revenue of only 2%. For this reason, only setting an exclusion threshold based on relative share of revenue is insufficient and must be completed by the adoption of absolute thresholds.

- Furthermore, some banks have adopted exclusion thresholds that only apply starting from a certain date. This is for instance the case of Citi, which excludes companies deriving at least 25% of their revenues from thermal coal mining, but only from 2026. Only applying this threshold from 2026 is highly problematic and will not be enough to ensure a timely coal phase out.
5. PLEDGING TO NET ZERO HAS NOT BEEN A GAME CHANGER

Of the banks assessed in this briefing, all but US Bancorp are members of the Net Zero Banking Alliance, one of the sectoral alliances within the Glasgow Financial Alliance on Net Zero (GFANZ). Meeting their pledge to reduce by 50% their financed emissions by 2050 and reach net-zero by 2050 under a 1.5°C trajectory requires immediate action against coal expansion. GFANZ leadership issued a statement in August 2022 declaring “We want to be unequivocal on this point: there is no rationale for financing new coal projects.” Yet there is no evidence that joining the NZBA has had any impact on the banks’ coal financing activities. Indeed, since joining the alliance, they have provided substantial financial resources to developers of new coal projects. For instance, right after the NZBA was created, Citi, a founding signatory, provided two loans of US$503 million each to Japanese coal power giant Mitsubishi, which is currently developing the controversial Vung Ang II 1200 MW coal plant in Vietnam.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Joined GFANZ in...</th>
<th>Since then, they have financed developers of new coal projects. This includes significant transactions, such as...</th>
</tr>
</thead>
</table>
| Citi          | April 2021 - founding signatory | • a loan of US$1060 million in March 2022 to Sumitomo, which is developing 2.4 GW of new coal power projects in Vietnam and Indonesia, and new infrastructure projects in Australia and Japan.  
• two loans of US$530 million each to Mitsubishi in April 2021 - the same month it joined GFANZ - and September 2021, which is developing 697 MW of new coal power projects in Vietnam and Japan. |
| Bank of America | April 2021 - founding signatory | • the underwriting of US$133 million worth of bonds in December 2021 for Chinese company State Power Investment Corporation, which is developing 10.2 GW of new coal power projects in China, Turkey, and Mongolia. Bank of America acted as Global Coordinator for the transaction which amounts to US$1.2 billion in total. JPMorgan was also part of the transaction as a joint bookrunner. |
| Goldman Sachs | October 2021 | • the underwriting of US$13 million worth of bonds in October and December 2021 for Kansai Electric Power Co Inc, which is developing 535 MW of new coal power projects in Indonesia. |
| JPMorgan Chase | October 2021 | • a loan of US$37 million in February 2022 to Marubeni Corp, which is developing 977 MW of new coal power and coal infrastructure projects in Vietnam, Indonesia, Japan, and Australia.  
• the underwriting of US$788 million worth of shares in November 2021 for Vedanta Resources, which is developing a new coal mining project in India with a capacity of 6 million tonnes per annum. |
| Morgan Stanley | April 2021 - founding signatory | • the underwriting of US$125 million worth of bonds in June 2021 for Sumitomo, which is developing 2.4 GW of new coal power projects in Vietnam and Indonesia, and new infrastructure projects in Australia and Japan.  
• the underwriting of US$100 million worth of bonds in July 2021 for Mitsubishi, which is developing 697 MW of new coal power projects in Vietnam and Japan. |
Why decarbonization targets are not enough

As members of the Net-Zero Banking Alliance, banks commit to setting and achieving sectoral decarbonization targets. While setting such targets are a useful tool, they must not be a substitute for the adoption of robust coal phase out policies. Such targets are highly insufficient to put a definite stop to the development of new coal projects. Indeed, **having set targets does nothing to prevent banks from financing developers of new coal projects.** Banks can achieve their overall emissions targets while continuing to finance developers of new fossil fuels projects, thus continuing to finance new assets which are already incompatible with the remaining carbon budget. While these assets will not necessarily appear on the banks’ balance sheets in 2030, they will continue to emit beyond that date, further eroding the carbon budget or becoming stranded assets.

In any case, when decarbonization targets exist, they often contain major loopholes. For example:

- They often **only address lending**, thus failing to include underwriting, which is a substantial source of financing for coal companies. Between January 2019 and November 2021, commercial banks provided over US$1 trillion to coal companies in underwriting.
- Many targets are formulated in terms of **intensity rather than in absolute value**. Absolute targets are the best way to mitigate emissions as intensity targets leave the door open for banks’ absolute financed emissions to plateau or even increase.
- Some targets **only cover exposure to high emitting sectors**. However, even if such targets reduce financed emissions, they don't require companies kept in portfolio to reduce their emissions individually and thus have no guaranteed impact on global emissions.

While setting decarbonization targets can be a useful tool, it is clearly not enough to stop banks from financing coal developers.
CONCLUSION AND RECOMMENDATIONS

With less than 10 years to phase out coal in the OECD and in Europe and less than 20 years elsewhere, we cannot afford to lose any more time developing new coal projects. According to the 2021 Production Gap report, global coal, oil, and gas production would have to decrease by around 11%, 4%, and 3%, respectively, each year between 2020 and 2030 in order to be consistent with a 1.5°C pathway. However, current coal production plans blow up the objectives of the Paris Agreement. If current trends continue, by 2030 there would be 240% more coal than what is consistent with the median 1.5°C pathway, which is equivalent to 5.3 billion tonnes of additional coal, and 120% more coal than is consistent with the median 2°C pathway. The production gap is much wider for coal than for any other fossil fuel.

The United Nations has recently emphasized this need to immediately take measures to exit coal. Its Race to Zero campaign expanded and strengthened its criteria in June 2022, and have given its members until June 2023 to comply. The new criteria require members to “restrict the development, financing, and facilitation of new fossil assets”, stressing that “this includes no new coal projects”. Nigel Topping and Mahmoud Mohieldin, High-level Climate Champions for COP26 and COP27, have urged all members — which includes all GFANZ members — to comply or risk being “removed from the Race!”. GFANZ leadership welcomed the updated criteria in a statement highlighting that “In line with the UN Race to Zero criteria, members of the net-zero financial sector alliances must identify and end any financing and investing in support of new coal activities”. With less than a year to comply, US banks urgently need to take measures to phase out finance for coal and other fossil fuels.

- End all support for coal projects, including coal-fired power plants, mines, and other associated infrastructure. This also involves stopping support to any retrofit of existing coal plants that extends their lifetime, or to sales of coal assets to new owners who intend to continue operating them.
- Exclude companies developing or planning to expand their activities in the thermal coal sector (mining, electricity, infrastructure, and services). Companies that extend the lifespan of existing coal-fired power plants following their modernization or that sell services and equipment supporting the expansion of the sector should also be excluded.
- Exclude companies that generate more than 20% of their revenues or electricity generation from coal and companies that produce more than 10 million tonnes of coal per year or have more than 5GW of coal capacity, and commit to lowering these thresholds to zero by the appropriate deadline.
- Commit to end all financial services and phase out exposure to the entire coal value chain in the OECD and European by 2030 and globally by 2040; and require all companies remaining in the portfolio to adopt by 2024 phase-out plans with facility-by-facility closure dates with just transition plans, including the funding of worker and environmental obligations.
- Refrain from including exceptions that weaken policies.

The major banks in the US have all declared their concerns over climate change and accepted their responsibility to play their part in addressing it. They have all joined the NZBA and in doing so accepted the importance of aligning with 1.5°C and halving their financed emissions by 2030. Continuing to finance the expansion of the coal industry is in complete contradiction with these expressions of concern and implies that their climate commitments are pure window dressing. It is past time for these banks to step up and get out of coal.
References

1. “Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our path-
way, and no new coal mines or mine extensions are required.”
2. https://www.hankingonclimatechaos.org/
3. JP Morgan Chase, Citi, Wells Fargo, Bank of America, Morgan Stanley, Goldman Sachs, PNC.
4. Climate Analytics, Coal Phase-Out, Briefing
5. United Nations, Addition to Fossil Fuels Must End, Secretary-General Tells Sustainable Energy Forum, Stressing Need to
   Expedite Deployment of Renewables Everywhere. May 2021
6. Reclaim Finance, Strengthened Race to Zero criteria require GFANZ to support fossil fuels phase-out, June 2022
7. Antonio Guterres, Twitter, October 2021
8. https://www.coalexit.org/
9. https://www.coalexit.org/finance-research
11. https://www.coalexit.org/
12. Urgewald, Who is still financing the global coal industry, February 2022
13. The Guardian, UN climate chief says the science is clear: there is no space for new coal, May 2015
14. OECD, World must weigh the true cost of coal to be serious about climate, OECD’s Game, July 2015
15. Climate Analytics, Implications of the Paris Agreement for coal use in the energy sector, November 2016
17. IPCC, Global warning of 1.5°C, October 2018
18. United Nations, Secretary-General’s remarks at High-Level Event on Climate Change [as delivered], October 2018
19. United Nations, The Secretary-General’s remarks to the R20 Austrian Summit, May 2019
20. Climate Analytics, Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report
   and IUC, September 2019
21. SEI, IISS, ODI, Climate Analytics, CICERO, and UNEP, The Production Gap: The discrepancy between countries’ planned fossil fuel
   production and global production levels consistent with limiting warming to 1.5°C or 2°C., 2019
23. Antonio Guterres, Twitter, March 2021
25. Reactions to the 2021 Production Gap Report
27. UN Climate Change Conference UK 2021, End for coal in sight at COP26, November 2021
28. United Nations Framework Convention on Climate Change, Report of the Conference of the Parties serving as the meeting of
   the Parties to the Paris Agreement on its third session held in Glasgow from 31 October to 13 November 2021 - March 2022
29. Bloomberg Philanthropies, Michael R. Bloomberg Announces New Effort To Close A Quarter Of The World’s Remaining Coal
   Plants And Cancel All Proposed Coal Plants Globally by 2026, November 2021
31. Australasian Center for Corporate Responsibility, New research: Damning - Glencore’s emissions baseline understated by
   at least 24%, April 2022
32. The Guardian, Glencore’s proposed $1.5bn coal mine site home to over a dozen threatened species, government told, 20 De-
   cember 2021
33. Australasian Center for Corporate Responsibility, Cognitive dissonance: Glencore’s coal expansion plans are not ‘respon-
   sible’, March 2022
34. Graham Readfearn, The Guardian, Mining giant Glencore’s Australian PR blitz forgets the coal driving the climate crisis, July 2022
35. The Guardian, Glencore pleads guilty to bribery related to African oil operations, June 2022
36. https://www.adanireport.org/
37. https://www.stopadani.com/
41. Adani Watch, Indian tribal protesters jailed under fabricated charges as railway for Adani’s Carmichael coal goes full steam
   ahead, April 2022
42. Banking on Climate Chaos, Case Study, Adani Group (financed by JP Morgan, MUFG, HSBC, BlackRock) is running an enor-
   mous fossil fuel project in Australia, violating Indigenous Rights, August 2022
43. The Australian Financial Review, Adani to self-fund $2b Carmichael mine, construction to start before Christmas, November 2018
44. Adani Watch, “Mass environmental mismanagement,” Adani’s 10b gigawatt coal power plant fined over US $5 million, June 2022
45. More information on Global Energy Monitor’s wiki
46. Kiko Network, Five major insurers and asset managers say they are doing engagement with Mitsubishi Corporation, Press
   Release, February 2022
47. Fossil Free Japan, [Joint Statement] Mitsubishi Corporation should withdraw from EPC for Vietnam’s Quang Trach 1 Coal-
   fired Power Plant, June 2021
48. Newsweek, Kimiko Hirata and Julien Vincent, Vietnam’s Climate Contradiction, July 2022
49. Mongabay, Worries and whispers in Vietnam’s NGO community after activist’s sentencing, July 2022
50. https://coalpolicytool.org/
51. Wells Fargo and US Bancorp do not finance coal developers and their activities are centered on North America: they are
   therefore not taken into consideration in this analysis.
52. Research from Global Energy Monitor shows that Europe’s current coal-fired power capacity is 157 GW
53. Research from Global Energy Monitor shows that current annual coal production capacity is 500 million tonnes for Australia,
   551 million tonnes for Indonesia, and 412 million tonnes for Russia.
54. Research from Global Energy Monitor shows that current coal-fired power capacity is 218 GW for the US and 233 GW for
   India.
55. Research from Global Energy Monitor shows that global current coal production capacity is 7242 million tonnes per year.
56. Research from Global Energy Monitor shows that current coal-fired power capacity is 51 GW for Japan, and 38 GW for South
   Korea.
57. Research from Global Energy Monitor shows that current coal production capacity in Africa and the Middle East is 258 mil-
   lion tonnes per year.
58. 82% of funding comes from underwriting. 13% comes from lending in the form of corporate finance. https://www.banktrack.
   org/coaldevelopers/
59. Phase out of financing to companies deriving at least 25% of their revenues from thermal coal mining, with some exceptions.
60. Phase out of financing to companies deriving at least 20% of their revenues from thermal coal mining with some exceptions, but only
   from 2025, and phase out of lending exposure to companies deriving more than 20% of their revenues from thermal coal min-
   ing by 2030.
61. Phase out of the financing to thermal coal companies “that do not have a diversification strategy within a reasonable time-
   frame”.
62. Statement on “No New Coal” from Michael R. Bloomberg, Mark Carney, and Mary Schapiro, August 2022
64. Reclaim Finance, Strengthened Race to Zero criteria require GFANZ to support fossil fuels phase-out, June 2022
65. Statement on “No New Coal” from Michael R. Bloomberg, Mark Carney, and Mary Schapiro, August 2022
66. The 10 criteria to evaluate corporate coal phase-out plans are outlined in a briefing by Reclaim Finance and Urgewald.

Credits
AdobeStock
COAL IT A DAY
Time for US banks to stop banking on coal expansion

Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance’s priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of some financial actors, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to bend existing practices to ecological imperatives.

contact@reclaimfinance.org